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The Economics of National Security

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immersed in political intricacies. Most of his ensuing decisions were correct, according to Ambrose, but these problems in the realm of method continued to haunt Eisenhower in Europe, often with unfortunate results.

Ambrose's judgments are less critical after 1945. Perhaps this is because Eisenhower's activities in those years have already been severely criticized by others; or perhaps Ambrose's efforts to see the world as Eisenhower saw it have led the biographer to adopt the general's exacting standards in the military but not the political realm. Whatever the cause, Ambrose paints a sympathetic portrait after 1945 of an individual who did not wish to become involved in politics and who did so largely because he feared Senator Taft's foreign policies as much as he disliked President Truman's domestic policies. In so explaining the situation, Ambrose defends many of Eisenhower's moral compromises as necessary to co-opt and defeat the right wing of his own party along with the Democrats. He thereby sets up a basic revisionist theme to be completed in the second volume.

The iconoclasm involved in this reversal of traditional Eisenhower criticism is matched by Ambrose's consistent refutation of Eisenhower myths, most notably those involving Berlin in 1945 and his relations with MacArthur, Mamie and Kay Summersby. In regard to the latter two individuals, Ambrose makes extensive use of the Ike-Mamie correspon-

dence as well as appropriate memoirs to explain Eisenhower's personal relationships both objectively and sympathetically, and to refute some of the more outrageous conclusions recently published by journalists and oral historians.

In all respects, *Eisenhower* is thus a provocative and outstanding study which is worthy of its subject and author. If Ambrose is able to maintain this quality in his second volume, the two will clearly constitute the definitive study of Eisenhower for many years.

MARK A. STOLER
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Olvey, Lee D., Golden, James R. and Kelly, Robert C. *The Economics of National Security*. Wayne, N.J.: Avery Publishing Group, 1984. 404pp. \$35

Anyone looking for a systematic treatment of the principal issues relating economics to national security policy need look no further. Although there have been other applications of economic analysis to defense policymaking, such as the 1960s classic, Hitch and McKean's *The Economics of Defense in the Nuclear Age*, none of the recent works has attempted a formal textbook survey of national security topics which can be illuminated by the use of the tools of economic analysis. The authors, who are or have been members of the Department of Social Sciences at West Point, have achieved their goal of providing the economic literacy essential to contemporary national

security policy. This book should find a place as a text in courses on the economics of national security, but it can also be read profitably by anyone concerned with how societies with limited resources can devote enough of them to their defense needs without damaging social goals.

The emphasis in this volume is more on how economic theory can help policymakers, and the general public, better understand the questions raised by national security problems than to provide particular solutions. The authors explain the relevant tools of economic analysis and then apply the tools to a national security topic such as defense budgeting or mobilization planning. No prior background in economics is assumed, but a reader would find it helpful to have had a course in the principles of economics. The exposition of economic theory is clear and readable, but it is also so succinct that readers would benefit from some supplemental reading in certain areas.

The Economics of National Security is organized into six parts with several short chapters on the relevant tools of economics and some applications to national security issues in each part. The first part entitled "Perspectives on Defense Spending" does a good job of relating defense budgets to foreign and domestic policy planning and the major institutional actors in the federal budget process. Chapter five provides an integrated model of defense spending which shows "that decisions do not flow neatly from national values down-

ward, but rather resource constraints ultimately affect objectives and, in some cases, even national values." Military officers who view defense budgeting from a rational "requirements approach" often find such joint determinations hard to understand and as a consequence the military planning process sometimes lacks realism.

Part II deals with the "big picture," the macroeconomics of national security. It brings out how the federal budget affects national goals like the level of employment, price stability, and the nation's rate of economic growth. Because defense spending is an important element in the federal budget, the performance of the economy depends upon how well decisions on the overall level of defense spending are harmonized with nondefense spending, taxation, and monetary policy as well as private sector consumption and investment. If this reviewer had written the book, he would have included more discussion of the industrial and regional impacts of defense spending in Part II rather than leaving it to Part V as an application of input-output analysis. The material is clearly presented even without the use of the formal input-output model which will probably not be easily understood by a reader unless he or she knows some matrix algebra.

Part III examines issues of resource allocation. After explaining the concept of economic efficiency, it shows how efficiency criteria can be employed in the defense sector

through cost-benefit and cost-effectiveness analysis. The treatment is lucid and objective in discussing the strengths and weaknesses of these techniques which have been widely applied in public sector policy analysis.

Part IV treats a variety of micro-economic tools and issues of concern to national security. There are chapters applying microeconomic theory to the defense labor market, the defense capital market, mobilization planning, and technological change. The labor chapter does a nice job of explaining the economics of raising armed forces through the use of volunteers and how this will become more difficult in the 1980s and 1990s because of a decreasing labor pool. The problems in the weapons acquisition process are addressed in the chapter on defense capital. One topic on which there is an economics literature that is not included is incentive contracting. Mobilization examines the tradeoffs between maintaining larger forces-in-being versus a surge capability. A brief but insightful discussion of the alternatives for dealing with military manpower shortfalls upon mobilization is included. The discussion of technological change highlights the contributions that research and development (R&D) have made both to the productivity and growth of the civilian economy and to military effectiveness. The relative decline in R&D spending in the 1970s has had adverse impacts in both the civil and military sectors.

The last two sections of the book

deal with international and comparative aspects of national security. These are topics which often fail to get sufficient attention in spite of the increasing interdependence of nations. Cases on energy vulnerability and the Nato alliance demonstrate the costs and benefits of the international dimension. The economic and national security relationships between the United States and the Soviet Union are illustrated with analyses of East-West trade and comparative military expenditures. The latter chapter applies oligopoly theory to the phenomenon of the arms race, showing both the value and the limitations that these action-reaction models have in explaining nations' military spending.

The Economics of National Security has some problems in trying to cover such a broad range of national security issues and the relevant economic theory in 400 pages. However, overall it is successful in bringing to bear the power of economic analysis to increase the understanding of national security policy.

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Green, Stephen. *Taking Sides: America's Secret Relations with a Militant Israel*. New York: Morrow, 1984. 370pp. \$14.95

This is a terribly upsetting book. In these pages a sober but convincing case is made that until 1964 and the Presidency of Lyndon B. Johnson, the United States had a Middle East